

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION**  
**SERVICE CENTER**  
Ozawkie, Kansas

Statutory Basis Financial Statements and  
Independent Auditors' Reports with  
Federal Compliance Section  
For the Fiscal Year Ended June 30, 2011

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas

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**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas

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**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Interlocal No. 608  
Northeast Kansas Education Service Center  
Ozawkie, Kansas

We have audited the accompanying financial statements of Interlocal No. 608 (the Interlocal), Ozawkie, Kansas, as of and for the fiscal year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Interlocal No. 608's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the guidance in the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Interlocal has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Interlocal No. 608, Ozawkie, Kansas, as of June 30, 2011, the changes in its financial position, or where applicable, its cash flows for the fiscal year then ended.

Also, in our opinion, except for the July 2011 receipt of the final state aid payment for the fiscal year ended June 30, 2011, being recorded in June 2011, the financial statements referred above present fairly, in all material respects, the cash and unencumbered cash balances of the Interlocal, as of June 30, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the fiscal year then ended, taken as a whole, on the basis of accounting described in Note 1.

Board of Education  
Interlocal No. 608  
Ozawkie, Kansas

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2012, on our consideration of Interlocal No. 608's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Interlocal No. 608's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

February 18, 2012  
Chanute, Kansas

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawie, Kansas

Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balances	Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Ending Cash Balances June 30, 2011	Ending Cash Balances June 30, 2010
<b>GOVERNMENTAL TYPE FUNDS</b>								
General	\$ 2,040,759.58	\$ -	\$ 6,839,765.32	\$ 6,532,990.49	\$ 2,347,534.41	\$ 570,061.88	\$ 2,917,596.29	\$ 2,280,746.28
Special Revenue Funds								
Special Education Resource Center	15,785.59	321.65	478,858.81	480,535.94	14,430.11	65,814.24	80,244.35	97,285.97
Foster Care Education Database	3,369.53	-	3,963.70	14.61	7,318.62	-	7,318.62	4,757.03
Regional Service Center	353,543.08	-	281,242.33	239,508.36	395,277.05	38,788.65	434,065.70	361,254.40
Regional Service Center Capital Outlay	5,031.92	-	-	-	5,031.92	-	5,031.92	5,031.92
NEKESC In-Service	4,627.70	-	-	1,088.78	3,538.92	270.00	3,808.92	4,627.70
Technology Support Services	-	-	87,277.51	83,718.47	3,559.04	3,319.24	6,878.28	5,231.22
Student Improvement Team	3,094.05	-	3,457.50	2,101.34	4,450.21	1.32	4,451.53	3,094.05
Douglas County Tiny K	53,018.68	-	723,969.97	676,435.29	100,553.36	18,260.91	118,814.27	56,311.81
Marshall County Tiny K	88,764.69	-	160,589.42	133,919.32	115,434.79	14,141.83	129,576.62	99,242.53
Parents as Teachers	10,817.15	-	644,231.34	655,048.49	-	179,998.86	179,998.86	120,678.39
School Improvement	-	-	-	-	-	-	-	-
Kansas Instructional Support	51,829.47	-	925,043.51	873,526.15	103,346.83	118,242.44	221,589.27	92,519.96
Carl Perkins	-	-	56,844.50	56,842.00	2.50	21,636.25	21,638.75	10,110.65
Alternative School - JDLA	38,875.66	-	407,628.30	446,503.96	-	51,196.62	51,196.62	62,612.44
Kansas Individualized Data								
System for Students (KIDSS)	57,578.78	-	188,776.80	199,279.55	47,076.03	18,048.07	65,124.10	66,018.16
Continuous Improvement	1,430.98	438.77	42,580.00	38,356.65	6,093.10	4,549.18	10,642.28	4,691.36
Medicaid	125,325.72	-	-	-	125,325.72	-	125,325.72	125,325.72
Infant/Toddler Program	151,163.56	-	567,802.17	556,804.42	162,161.31	7,070.12	169,231.43	157,482.64
Kansas Learn and Serve	5,675.91	-	15,000.00	14,993.00	5,682.91	2,570.08	8,252.99	6,184.98
Kansas Learning and Leading	-	-	12,147.18	11,703.48	443.70	-	443.70	2,126.86
Operations and Facilities	-	-	12,454.49	10,184.89	2,269.60	19.25	2,288.85	3,838.62
Project SPOT	84,135.09	7,304.68	807,741.88	544,362.36	354,819.29	53,105.55	407,924.84	160,494.82
Kansas Early Learning								
Collaborative Grant	16,937.48	-	67,722.00	71,866.58	12,792.90	883.00	13,675.90	16,937.48
Autism Diagnosis	-	-	50,000.00	41,985.72	8,014.28	8,799.55	16,813.83	19,915.24
Kansas Health Foundation Grant	-	-	10,000.00	3,405.99	6,594.01	912.45	7,506.46	-
<b>Total Reporting Entity</b>	<b>\$ 3,111,764.62</b>	<b>\$ 8,065.10</b>	<b>\$ 12,387,096.73</b>	<b>\$ 11,675,175.84</b>	<b>\$ 3,831,750.61</b>	<b>\$ 1,177,689.49</b>	<b>\$ 5,009,440.10</b>	<b>\$ 3,766,520.23</b>

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
 Ozawie, Kansas  
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
 For the Fiscal Year Ended June 30, 2011

	Ending Cash Balances June 30, 2011	Ending Cash Balances June 30, 2010
	<u>\$ 5,009,440.10</u>	<u>\$ 3,766,520.23</u>
Composition of Cash		
Checking.....	\$ 2,405,132.78	\$ 965,485.34
Money Market Account.....	2,603,565.45	401,527.57
Petty Cash.....	1,500.00	1,500.00
Certificates of Deposit.....	-	2,400,000.00
Total Cash	<u>5,010,198.23</u>	<u>3,768,512.91</u>
Less Agency Funds per Statement 4	<u>(758.13)</u>	<u>(1,992.68)</u>
Total Reporting Entity.....	<u>\$ 5,009,440.10</u>	<u>\$ 3,766,520.23</u>

The notes to the financial statements are  
 an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Assessments from Districts	\$ 2,000,000.10	\$ 2,050,000.00	\$ 2,050,000.00	\$ -
Interest on Idle Funds	8,001.73	4,552.83	3,000.00	1,552.83
State Sources				
General State Aid	3,133,084.38	3,189,294.56	2,846,400.00	342,894.56
Special Education Aid	49,166.72	4,972.60	13,180.00	(8,207.40)
Federal Sources				
ARRA Stabilization Funds	501,621.00	501,621.00	501,621.00	-
Special Education Aid	951,961.00	949,245.00	949,245.00	-
Other Revenues				
Reimbursed Expense	156,984.84	108,414.06	120,000.00	(11,585.94)
Miscellaneous Income	31,857.07	30,835.87	-	30,835.87
Donations	239.70	829.40	-	829.40
Operating Transfers from School Improvement Fund	14.43	-	-	-
Total Cash Receipts	6,832,930.97	6,839,765.32	\$ 6,483,446.00	\$ 356,319.32
Expenditures				
Instruction	4,287,820.76	4,327,864.98	\$ 4,570,454.00	\$ (242,589.02)
Support Services				
Student Support	1,327,341.10	1,370,116.79	1,380,080.00	(9,963.21)
Instructional Support	27,926.50	25,830.24	30,842.00	(5,011.76)
General Administration	414,562.54	366,827.29	447,105.00	(80,277.71)
School Administration	80,116.51	70,705.16	72,029.00	(1,323.84)
Central Services	75,317.26	82,118.97	97,090.00	(14,971.03)
Operations and Maintenance	39,139.41	87,565.47	49,700.00	37,865.47
Transportation Services	11,214.26	12,652.45	4,000.00	8,652.45

The notes to the financial statements are  
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**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas  
**GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

			Current Year		Variance - Over (Under)
			Prior Year Actual	Actual	
Expenditures (Continued)					
Operating Transfers to					
Alternative School - JDLA Fund	\$	168,588.00	\$	189,309.14	\$ 40,721.14
Regional Service Center					
Capital Outlay Fund		-		-	-
Total Certified Budget					6,799,888.00
Adjustments to Budget					(266,897.51)
Adjustment for Qualifying					
Budget Credits					108,414.06
Total Expenditures		6,432,026.34		6,532,990.49	\$ 6,908,302.06
Receipts Over (Under) Expenditures		400,904.63		306,774.83	\$ (375,311.57)
Unencumbered Cash, Beginning		1,639,854.95		2,040,759.58	
Unencumbered Cash, Ending	\$	2,040,759.58	\$	2,347,534.41	

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**SPECIAL EDUCATION RESOURCE CENTER FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Federal Sources				
Special Education Aid	\$ 294,591.00	\$ 468,939.00	\$ 435,362.00	\$ 33,577.00
Other Revenue				
Miscellaneous Income	5,649.50	9,919.81	-	9,919.81
Total Cash Receipts	300,240.50	478,858.81	\$ 435,362.00	\$ 43,496.81
Expenditures				
Support Services				
Instructional Support	373,323.70	448,106.56	\$ 436,690.00	\$ 11,416.56
General Administration	28,249.00	32,249.00	32,249.00	-
School Administration	1,365.00	-	-	-
Operations and Maintenance	1,590.05	180.38	-	180.38
Total Expenditures	404,527.75	480,535.94	\$ 468,939.00	\$ 11,596.94
Receipts Over (Under) Expenditures	(104,287.25)	(1,677.13)		
Unencumbered Cash, Beginning	119,839.66	15,785.59		
Cancelled Encumbrance	233.18	321.65		
Unencumbered Cash, Ending	\$ 15,785.59	\$ 14,430.11		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**FOSTER CARE EDUCATION DATABASE FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over Under
		Actual	Budget	
Cash Receipts				
Other Revenue				
Miscellaneous Income	\$ 2,859.57	\$ 3,963.70	\$ 2,860.00	\$ 1,103.70
Total Cash Receipts	2,859.57	3,963.70	\$ 2,860.00	\$ 1,103.70
Expenditures				
Instruction	1,410.39	14.61	\$ 2,860.00	\$ (2,845.39)
Total Expenditures	1,410.39	14.61	\$ 2,860.00	\$ (2,845.39)
Receipts Over (Under) Expenditures	1,449.18	3,949.09		
Unencumbered Cash, Beginning	1,920.35	3,369.53		
Unencumbered Cash, Ending	\$ 3,369.53	\$ 7,318.62		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**REGIONAL SERVICE CENTER FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Federal Sources				
Character Ed Grant	\$ -	\$ 12,854.45	\$ -	\$ 12,854.45
Other Revenue				
Cooperative Purchasing	197,546.71	239,614.93	229,801.00	9,813.93
Miscellaneous Income	29,826.88	25,588.14	1,500.00	24,088.14
Operating Transfers from Kansas Learning and Leading Fund	-	3,184.81	-	3,184.81
Total Cash Receipts	227,373.59	281,242.33	\$ 231,301.00	\$ 49,941.33
Expenditures				
Support Services				
General Administration	158,415.72	134,714.75	\$ 111,143.00	\$ 23,571.75
School Administration	-	10,476.98	9,521.00	955.98
Central Services	1,241.04	24,775.36	27,700.00	(2,924.64)
Operations and Maintenance	54,812.26	67,106.28	84,350.00	(17,243.72)
Transportation Services	-	2,434.99	-	2,434.99
Operating Transfers to:				
Technology Support Services Fun	16,481.38	-	50,000.00	(50,000.00)
Kansas Learning and Leading Fun	6,837.93	-	-	-
Operations and Facilities Fund	390.45	-	-	-
Total Expenditures	238,178.78	239,508.36	\$ 282,714.00	\$ (43,205.64)
Receipts Over (Under) Expenditures	(10,805.19)	41,733.97		
Unencumbered Cash, Beginning	364,348.27	353,543.08		
Unencumbered Cash, Ending	\$ 353,543.08	\$ 395,277.05		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas  
**REGIONAL SERVICE CENTER CAPITAL OUTLAY FUND**

Statement of Cash Receipts and Expenditures - Actual  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Other Revenue		
Miscellaneous Income	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	5,031.92	5,031.92
Unencumbered Cash, Ending	\$ 5,031.92	\$ 5,031.92

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**NEKESC IN-SERVICE FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Other Revenue				
Miscellaneous Income	\$ 749.44	\$ -	\$ -	\$ -
Total Cash Receipts	749.44	-	\$ -	\$ -
Expenditures				
Instruction	-	132.00	\$ -	\$ 132.00
Support Services				
Instructional Support	6,463.48	956.78	4,628.00	(3,671.22)
Total Expenditures	6,463.48	1,088.78	\$ 4,628.00	\$ (3,539.22)
Receipts Over (Under) Expenditures	(5,714.04)	(1,088.78)		
Unencumbered Cash, Beginning	9,706.80	4,627.70		
Cancelled Encumbrance	634.94	-		
Unencumbered Cash, Ending	\$ 4,627.70	\$ 3,538.92		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**TECHNOLOGY SUPPORT SERVICES FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 91,004.49	\$ 66,685.37	\$ 46,125.00	\$ 20,560.37
Other Revenue				
E-Rate Discounts	49,968.61	20,526.11	15,620.00	4,906.11
Miscellaneous Income	1,055.95	66.03	-	66.03
Operating Transfers from Regional Service Center Fund	16,481.38	-	50,000.00	(50,000.00)
Total Cash Receipts	158,510.43	87,277.51	\$ 111,745.00	\$ (24,467.49)
Expenditures				
Support Services				
Operations and Maintenance	159,082.21	83,718.47	\$ 104,592.00	\$ (20,873.53)
Total Expenditures	159,082.21	83,718.47	\$ 104,592.00	\$ (20,873.53)
Receipts Over (Under) Expenditures	(571.78)	3,559.04		
Unencumbered Cash, Beginning	567.73	-		
Cancelled Encumbrance	4.05	-		
Unencumbered Cash, Ending	\$ -	\$ 3,559.04		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**STUDENT IMPROVEMENT TEAM FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Other Revenue		
Miscellaneous Income	\$ 300.00	\$ 3,457.50
Total Cash Receipts	<u>300.00</u>	<u>3,457.50</u>
Expenditures		
Support Services		
Instructional Support	115.44	2,061.34
Operations and Maintenance	<u>320.00</u>	<u>40.00</u>
Total Expenditures	<u>435.44</u>	<u>2,101.34</u>
Receipts Over (Under) Expenditures	(135.44)	1,356.16
Unencumbered Cash, Beginning	<u>3,229.49</u>	<u>3,094.05</u>
Unencumbered Cash, Ending	<u>\$ 3,094.05</u>	<u>\$ 4,450.21</u>

The notes to the financial statements are  
an integral part of this statement.



**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**DOUGLAS COUNTY TINY K FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Assessments from Districts	\$ 350,201.93	\$ 342,439.64	\$ 326,485.00	\$ 15,954.64
State Sources				
Infant - Toddler Grant	297,275.00	316,981.00	316,981.00	-
Federal Sources				
ARRA Grant	43,562.18	57,433.57	71,789.00	(14,355.43)
Other Revenue				
Miscellaneous Income	398.13	7,115.76	-	7,115.76
Donations	51,000.00	-	-	-
Total Cash Receipts	742,437.24	723,969.97	\$ 715,255.00	\$ 8,714.97
Expenditures				
Instruction	345,015.69	289,751.23	\$ 290,588.00	\$ (836.77)
Support Services				
Student Support	266,213.25	277,031.58	277,190.00	(158.42)
General Administration	53,368.36	67,772.15	70,055.00	(2,282.85)
School Administration	40,818.58	41,880.33	42,125.00	(244.67)
Total Expenditures	705,415.88	676,435.29	\$ 679,958.00	\$ (3,522.71)
Receipts Over (Under) Expenditures	37,021.36	47,534.68		
Unencumbered Cash, Beginning	15,849.97	53,018.68		
Cancelled Encumbrance	147.35	-		
Unencumbered Cash, Ending	\$ 53,018.68	\$ 100,553.36		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**MARSHALL COUNTY TINY K FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Assessments from Districts	\$ 108,751.02	\$ 117,978.04	\$ 95,000.00	\$ 22,978.04
State Sources				
Infant - Toddler Grant	74,459.00	36,211.00	36,096.00	115.00
Federal Sources				
ARRA Grant	7,936.00	6,381.50	8,175.00	(1,793.50)
Other Revenue				
Miscellaneous Income	205.92	18.88	-	18.88
Total Cash Receipts	191,351.94	160,589.42	\$ 139,271.00	\$ 21,318.42
Expenditures				
Instruction	49,786.99	50,860.09	\$ 58,742.00	\$ (7,881.91)
Support Services				
Student Support	94,224.17	83,059.23	96,003.00	(12,943.77)
Total Expenditures	144,011.16	133,919.32	\$ 154,745.00	\$ (20,825.68)
Receipts Over (Under) Expenditures	47,340.78	26,670.10		
Unencumbered Cash, Beginning	41,423.91	88,764.69		
Unencumbered Cash, Ending	\$ 88,764.69	\$ 115,434.79		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**PARENTS AS TEACHERS FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Assessments from Districts	\$ 222,200.00	\$ 204,050.00	\$ 206,400.00	\$ (2,350.00)
KELC Grant	-	19,642.00	67,722.00	(48,080.00)
State Sources				
Parent Education Grant	395,677.00	391,940.00	345,692.00	46,248.00
Health Foundation Grant	-	16,000.00	-	16,000.00
Other Revenue				
Miscellaneous Revenue	6,242.28	5,996.84	18,300.00	(12,303.16)
Operating Transfers from Kansas Learning and Leading Fund	-	6,602.50	-	6,602.50
Total Cash Receipts	624,119.28	644,231.34	\$ 638,114.00	\$ 6,117.34
Expenditures				
Instruction	638,471.72	630,023.27	\$ 616,343.00	\$ 13,680.27
Support Services				
Operations and Maintenance	21,497.58	25,025.22	21,771.00	3,254.22
Total Expenditures	659,969.30	655,048.49	\$ 638,114.00	\$ 16,934.49
Receipts Over (Under) Expenditures	(35,850.02)	(10,817.15)		
Unencumbered Cash, Beginning	37,799.96	10,817.15		
Cancelled Encumbrance	8,867.21	-		
Unencumbered Cash, Ending	\$ 10,817.15	\$ -		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**SCHOOL IMPROVEMENT FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Title II Improvement Grant	\$ 5,000.00	\$ -
Total Cash Receipts	5,000.00	-
Expenditures		
Operating Transfers to:		
General Fund	14.43	-
Kansas Learning and Leading Fu	5,000.00	-
Total Expenditures	5,014.43	-
Receipts Over (Under) Expenditures	(14.43)	-
Unencumbered Cash, Beginning	14.43	-
Unencumbered Cash, Ending	\$ -	\$ -

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**KANSAS INSTRUCTIONAL SUPPORT FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Assessments from Districts	\$ 167,672.41	\$ 158,119.04	\$ 144,000.00	\$ 14,119.04
Federal Sources				
Special Education Aid	566,453.00	761,998.00	711,988.00	50,010.00
Other Revenue				
Miscellaneous Income	24,554.51	4,926.47	-	4,926.47
Total Cash Receipts	758,679.92	925,043.51	\$ 855,988.00	\$ 69,055.51
Expenditures				
Support Services				
Instructional Support	757,908.20	873,526.15	\$ 906,437.00	\$ (32,910.85)
Total Expenditures	757,908.20	873,526.15	\$ 906,437.00	\$ (32,910.85)
Receipts Over (Under) Expenditures	771.72	51,517.36		
Unencumbered Cash, Beginning	46,466.41	51,829.47		
Cancelled Encumbrance	4,591.34	-		
Unencumbered Cash, Ending	\$ 51,829.47	\$ 103,346.83		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**CARL PERKINS FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Federal Sources				
Carl Perkins Grant	\$ 58,396.00	\$ 56,844.50	\$ 56,842.00	\$ 2.50
Total Cash Receipts	58,396.00	56,844.50	\$ 56,842.00	\$ 2.50
Expenditures				
Support Services				
Instructional Support	47,951.67	53,654.51	\$ 53,999.00	\$ (344.49)
General Administration	10,444.33	3,187.49	2,843.00	344.49
Total Expenditures	58,396.00	56,842.00	\$ 56,842.00	\$ 0.00
Receipts Over (Under) Expenditures	-	2.50		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ 2.50		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**ALTERNATIVE SCHOOL - JDLA FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

		Current Year			Variance -
	Prior Year Actual	Actual	Budget		Over Under
Cash Receipts					
Local Sources					
Assessments from District	\$ 240,554.30	\$ 217,902.79	\$ 188,100.00	\$	29,802.79
Other Revenue					
Miscellaneous Income	844.08	416.37	-		416.37
Operating Transfers from:					
General Fund	168,588.00	189,309.14	148,588.00		40,721.14
Medicaid Fund	50,000.00	-	79,000.00		(79,000.00)
Total Cash Receipts	459,986.38	407,628.30	\$ 415,688.00	\$	(8,059.70)
Expenditures					
Instruction	438,370.61	418,329.57	\$ 430,474.00	\$	(12,144.43)
Support Services					
Student Support	6,472.91	7,205.63	640.00		6,565.63
Instructional Support	1,240.60	1,181.62	2,200.00		(1,018.38)
General Administration	2,017.33	1,584.23	3,200.00		(1,615.77)
Operations and Maintenance	9,692.93	13,202.91	13,050.00		152.91
Transportation Services	2,318.00	-	-		-
Operating Transfers to					
Kansas Learn and Serve Fund	5,000.00	5,000.00	5,000.00		-
Total Expenditures	465,112.38	446,503.96	\$ 454,564.00	\$	(8,060.04)
Receipts Over (Under) Expenditures	(5,126.00)	(38,875.66)			
Unencumbered Cash, Beginning	44,001.66	38,875.66			
Unencumbered Cash, Ending	\$ 38,875.66	\$ 0.00			

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**KANSAS INDIVIDUALIZED DATA SYSTEM FOR STUDENTS (KIDSS) FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over Under (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 107,665.00	\$ 154,310.86	\$ 136,000.00	\$ 18,310.86
Local Sources				
Assessments from Districts	24,532.20	26,929.65	20,700.00	6,229.65
Other Revenue				
Reimbursed Expense	8,775.24	7,159.63	-	7,159.63
Miscellaneous Income	3,570.00	376.66	-	376.66
Total Cash Receipts	144,542.44	188,776.80	\$ 156,700.00	\$ 32,076.80
Expenditures				
Support Services				
Instructional Support	147,704.27	185,925.55	\$ 177,083.00	\$ 8,842.55
General Administration	11,650.30	10,389.96	11,103.00	(713.04)
School Administration	-	-	536.00	(536.00)
Operations and Maintenance	3,550.58	2,964.04	3,900.00	(935.96)
Total Expenditures	162,905.15	199,279.55	\$ 192,622.00	\$ 6,657.55
Receipts Over (Under) Expenditures	(18,362.71)	(10,502.75)		
Unencumbered Cash, Beginning	75,941.27	57,578.78		
Cancelled Encumbrance	0.22	-		
Unencumbered Cash, Ending	\$ 57,578.78	\$ 47,076.03		

The notes to the financial statements are  
an integral part of this statement.



**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas

**CONTINUOUS IMPROVEMENT FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Federal Sources				
Special Education Aid	\$ 38,756.00	\$ 39,236.00	\$ 39,236.00	\$ -
Other Revenue				
Miscellaneous Income	-	3,344.00	-	3,344.00
Total Cash Receipts	38,756.00	42,580.00	\$ 39,236.00	\$ -
Expenditures				
Support Services				
Instructional Support	38,382.58	38,356.65	\$ 39,382.00	\$ (1,025.35)
Total Expenditures	38,382.58	38,356.65	\$ 39,382.00	\$ (1,025.35)
Receipts Over (Under) Expenditures	373.42	4,223.35		
Unencumbered Cash, Beginning	175.03	1,430.98		
Cancelled Encumbrance	882.53	438.77		
Unencumbered Cash, Ending	\$ 1,430.98	\$ 6,093.10		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**MEDICAID FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Other Revenue				
Miscellaneous Income	\$ -	\$ -	\$ -	\$ -
Total Cash Receipts	-	-	\$ -	\$ -
Expenditures				
Operating Transfers to				
Alternative School - JDLA Fund	50,000.00	-	\$ 125,326.00	\$ (125,326.00)
Total Expenditures	50,000.00	-	\$ 125,326.00	\$ (125,326.00)
Receipts Over (Under) Expenditures	(50,000.00)	-		
Unencumbered Cash, Beginning	175,325.72	125,325.72		
Unencumbered Cash, Ending	\$ 125,325.72	\$ 125,325.72		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**INFANT/TODDLER PROGRAM FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Assessments from Districts	\$ 282,971.77	\$ 256,184.62	\$ 215,825.00	\$ 40,359.62
KELC Grant	9,365.00	8,848.00	7,590.00	1,258.00
Cottonwood Grant	5,000.00	3,750.00	5,000.00	(1,250.00)
State Sources				
Infant - Toddler Grant	210,872.00	229,062.96	230,660.00	(1,597.04)
Federal Sources				
ARRA Grant	31,391.30	54,296.70	52,239.00	2,057.70
Other Revenue				
Reimbursed Expense	7,220.48	15,335.08	10,000.00	5,335.08
Miscellaneous Income	3,915.75	324.81	-	324.81
Total Cash Receipts	550,736.30	567,802.17	\$ 521,314.00	\$ 46,488.17
Expenditures				
Instruction	182,612.42	158,162.56	\$ 167,486.00	\$ (9,323.44)
Support Services				
Student Support	370,797.48	397,068.14	417,471.00	(20,402.86)
Operations and Maintenance	3,005.95	1,573.72	1,500.00	73.72
Total Expenditures	556,415.85	556,804.42	\$ 586,457.00	\$ (29,652.58)
Receipts Over (Under) Expenditures	(5,679.55)	10,997.75		
	-			
Unencumbered Cash, Beginning	156,303.51	151,163.56		
Cancelled Encumbrance	539.60	-		
Unencumbered Cash, Ending	\$ 151,163.56	\$ 162,161.31		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**KANSAS LEARN AND SERVE FUND**

Statement of Cash Receipts and Expenditures - Actual  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources		
Learn and Serve Grant	\$ 9,993.00	\$ 10,000.00
Operating Transfers from		
Alternative School - JDLA Fund	<u>5,000.00</u>	<u>5,000.00</u>
Total Cash Receipts	<u>14,993.00</u>	<u>15,000.00</u>
Expenditures		
Instruction	<u>12,236.26</u>	<u>14,993.00</u>
Total Expenditures	<u>12,236.26</u>	<u>14,993.00</u>
Receipts Over (Under) Expenditures	2,756.74	7.00
Unencumbered Cash, Beginning	2,399.21	5,675.91
Cancelled Encumbrance	<u>519.96</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 5,675.91</u>	<u>\$ 5,682.91</u>

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**KANSAS LEARNING AND LEADING FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Charges for Services	\$ 42,427.57	\$ 5,544.68
Federal Sources		
Character Education Grant	2,500.00	-
Other Revenue		
Reimbursed Expense	1,676.28	-
Miscellaneous Income	14,804.62	6,602.50
Operating Transfers from:		
Regional Service Center Fund	6,837.93	-
School Improvement Fund	5,000.00	-
Total Cash Receipts	73,246.40	12,147.18
Expenditures		
Support Services		
General Administration	79,649.90	1,916.17
School Administration	15.60	-
Operations and Maintenance	347.76	-
Operating Transfers to		
Regional Service Center Fund	-	3,184.81
Parents as Teachers Fund	-	6,602.50
Total Expenditures	80,013.26	11,703.48
Receipts Over (Under) Expenditures	(6,766.86)	443.70
Unencumbered Cash, Beginning	6,055.17	-
Cancelled Encumbrance	711.69	-
Unencumbered Cash, Ending	\$ -	\$ 443.70

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas  
**OPERATIONS AND FACILITIES FUND**

Statement of Cash Receipts and Expenditures - Actual  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Charges for Services	\$ 12,437.11	\$ 9,276.25
Other Revenue		
Reimbursed Expense	220.75	21.50
Miscellaneous Income	5,171.25	3,156.74
Operating Transfers from Regional Service Center Fund	390.45	-
Total Cash Receipts	18,219.56	12,454.49
Expenditures		
Support Services		
General Administration	24,724.71	10,184.89
Operations and Maintenance	5.96	-
Total Expenditures	24,730.67	10,184.89
Receipts Over (Under) Expenditures	(6,511.11)	2,269.60
Unencumbered Cash, Beginning	6,511.11	-
Unencumbered Cash, Ending	\$ -	\$ 2,269.60

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**PROJECT SPOT FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Assessments from Districts	\$ 74,339.99	\$ 99,405.65	\$ 90,000.00	\$ 9,405.65
Federal Sources				
Special Education Aid	431,403.00	699,163.00	582,359.00	116,804.00
Other Revenue				
Miscellaneous Income	41.50	9,173.23	-	9,173.23
Total Cash Receipts	505,784.49	807,741.88	\$ 672,359.00	\$ 135,382.88
Expenditures				
Support Services				
Instructional Support	498,056.54	544,362.36	\$ 789,162.00	\$ (244,799.64)
Total Expenditures	498,056.54	544,362.36	\$ 789,162.00	\$ (244,799.64)
Receipts Over (Under) Expenditures	7,727.95	263,379.52		
Unencumbered Cash, Beginning	68,865.99	84,135.09		
Cancelled Encumbrance	7,541.15	7,304.68		
Unencumbered Cash, Ending	\$ 84,135.09	\$ 354,819.29		

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas  
**KANSAS EARLY LEARNING COLLABORATIVE GRANT FUND**

Statement of Cash Receipts and Expenditures - Actual  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
KELC Grant	\$ 67,722.20	\$ 67,722.00
Total Cash Receipts	67,722.20	67,722.00
Expenditures		
Instruction	50,784.72	71,866.58
Total Expenditures	50,784.72	71,866.58
Receipts Over (Under) Expenditures	16,937.48	(4,144.58)
Unencumbered Cash, Beginning	-	16,937.48
Unencumbered Cash, Ending	\$ 16,937.48	\$ 12,792.90

The notes to the financial statements are  
an integral part of this statement.



**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**AUTISM DIAGNOSIS FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Local Sources		
ADT Funding	<u>\$ 50,000.00</u>	<u>\$ 50,000.00</u>
Total Cash Receipts	<u>50,000.00</u>	<u>50,000.00</u>
Expenditures		
Support Services		
Instructional Support	<u>50,000.00</u>	<u>41,985.72</u>
Total Expenditures	<u>50,000.00</u>	<u>41,985.72</u>
Receipts Over (Under) Expenditures	-	8,014.28
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 8,014.28</u>

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**

Ozawkie, Kansas

**KANSAS HEALTH FOUNDATION GRANT FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
ADT Funding	\$ -	\$ 10,000.00
Total Cash Receipts	-	10,000.00
Expenditures		
Support Services		
Instruction	-	3,405.99
Total Expenditures	-	3,405.99
Receipts Over (Under) Expenditures	-	6,594.01
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 6,594.01

The notes to the financial statements are  
an integral part of this statement.

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
 Ozawkie, Kansas  
**AGENCY FUNDS**

Statement of Cash Receipts and Cash Disbursements  
 For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
John Dewey Learning Academy	\$ 1,992.68	\$ 13,798.38	\$ 15,032.93	\$ 758.13

The notes to the financial statements are  
 an integral part of this statement

**INTERLOCAL NO. 608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Interlocal No. 608, Northeast Kansas Education Service Center, Ozawkie, Kansas (the Interlocal), have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Interlocal's accounting policies follow. Note 1 describes how the Interlocal's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The Interlocal is an Interlocal agency organized pursuant to K.S.A. 72-8230 and is governed by an appointed seven-member board. The board consists of members of participating Unified School District's Boards. Those Districts are USD No.'s 338, 339, 340, 341, 342, 343, and 377. The Interlocal has developed criteria to determine whether outside agencies, with activities which benefit the members of the Interlocal, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Interlocal exercises oversight responsibility or financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. Based on the above criteria, the Interlocal has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a component unit in these financial statements.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of Interlocal No. 608:

**GOVERNMENTAL FUNDS**

General Fund – The General Fund is the principal fund of the Interlocal which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Interlocal, other than proprietary fund activities are financed through revenues received by the General Fund.

Special Revenue Funds – These funds are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are designated to finance particular functions or activities of the Interlocal.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**GOVERNMENTAL FUNDS**

Capital Project Funds – The Capital Project Funds account for capital improvements (except for those financed by proprietary funds) which are financed from the Interlocal's general obligation bond issues, special assessments, certain federal grants and other specific receipts.

**FIDUCIARY FUNDS**

Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Basis of Presentation – Statutory Basis of Accounting

The statutory basis of accounting, as used in preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Interlocal has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Interlocal to use the statutory basis of accounting.

Departures from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Interlocal are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statements and budget comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the Interlocal Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Pension Plan

Substantially all full-time Interlocal employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer state-wide pension plan. The Interlocal's policy is the State of Kansas will fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Kansas Statutes

All budgets are prepared for internal use only, therefore, expenditures exceeding budgeted amounts do not constitute a violation in accordance with Kansas statutes.

Statement 1 has been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the Interlocal was in apparent compliance with the cash basis laws of Kansas.

**3. DEPOSITS AND INVESTMENTS**

K.S.A 9-1401 establishes the depositories which may be used by the Interlocal. The statute requires banks eligible to hold the Interlocal's funds have a main branch or branch bank in the county in which the Interlocal is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Interlocal has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the Interlocal's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Interlocal has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Interlocal may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Interlocal's deposits may not be returned to it. State statutes require the Interlocal's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2011.

### 3. DEPOSITS AND INVESTMENTS

At year-end, the Interlocal's carrying amount of deposits was \$5,010,198.23 and the bank balance was \$4,698,145.26. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$2,546,438.11 was covered by FDIC insurance, \$2,151,707.15 was collateralized with securities held by the pledging financial institution's agents in the Interlocal's name, and \$222.78 was cash on hand.

### 4. CAPITAL LEASE OBLIGATIONS

The Interlocal has entered into a capital lease agreement in order to finance the acquisition of three digital copier machines. Payments are made of \$1,311.00 monthly, including interest at 6.43% and a final bargain purchase price option of \$1.00. Final maturity of the lease is January 18, 2012. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Totals</u>
2012	\$ 9,177.00
Total Payments from District	9,177.00
Less imputed interest	(193.51)
Net Present Value of Minimum Lease Payments	8,983.49
Less: Current Maturities	(8,983.49)
Long-Term Capital Lease Obligations	\$ 0.00

The Interlocal has entered into a capital lease agreement in order to finance the acquisition of one digital copier machine. Payments are made of \$265.00 monthly, including interest at 6.84% and a final bargain purchase price option of \$1.00. Final maturity of the lease is May 14, 2012. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Totals</u>
2012	\$ 2,915.00
Total Payments from District	2,915.00
Less imputed interest	(97.32)
Net Present Value of Minimum Lease Payments	2,817.68
Less: Current Maturities	(2,817.68)
Long-Term Capital Lease Obligations	\$ 0.00

### 5. OPERATING LEASES

As of June 30, 2011 the Interlocal has entered an operating lease for various office equipment. Total payments for the year ended June 30, 2011, was \$4,870.00. Under the current lease agreements, the future minimum lease rentals are as follows:

2012	\$ 9,444.00
2013	9,444.00
2014	9,444.00
2015	444.00
2016	296.00

## 6. LONG-TERM LIABILITIES

Changes in long-term liabilities for the Interlocal for the year ended June 30, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Net Change	Balances End of Year	Interest Paid
Capital Leases										
3 Copiers	6.43%	1/18/2007	67,119.00	1/18/2012	\$ 23,623.30	\$ -	\$ 14,639.81		\$ 8,983.49	\$ 1,091.19
1 Copier	6.84%	5/14/2008	11,100.00	5/14/2012	5,696.99	-	2,879.31		2,817.68	300.69
Total Scheduled Long-Term Contractual Indebtedness										
					29,320.29	-	17,519.12		11,801.17	1,391.88
Other Long-Term Liabilities										
General Accrued Compensated Absences										
Certified Sick Pay	N/A	N/A	N/A	N/A	74,863.75			\$ 14,768.75	89,632.50	N/A
Vacation Pay	N/A	N/A	N/A	N/A	19,379.58			10,192.19	29,571.77	N/A
Total Long-Term Liabilities										
					\$ 123,563.62	\$ -	\$ 17,519.12	\$ 24,960.94	\$ 131,005.44	\$ 1,391.88

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity is as follows:

	Issue	June 30, 2012	Totals
<u>Principal</u>			
Capital Leases			
3 Copiers	\$ 8,983.49	\$ 8,983.49	
1 Copier	2,817.68	2,817.68	
Total Principal	11,801.17	11,801.17	
<u>Interest</u>			
Capital Leases			
3 Copiers	193.51	193.51	
1 Copier	97.32	97.32	
Total Interest	290.83	290.83	
Total Principal and Interest	\$ 12,092.00	\$ 12,092.00	



## **7. DEFINED BENEFIT PENSION PLAN**

*Plan description.* The Interlocal participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% or 6% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the required contributions for each year.

## **8. COMPENSATED ABSENCES**

It is the policy of Interlocal No. 608 that certified employees working nine months out of the year will earn ten sick/discretionary days per year, five discretionary and five sick, of leave will be allocated for each full time certified/licensed teacher on the first day of their contract available for use anytime. These days will be prorated for certified/licensed teachers contracted after the start of said school year. Teachers whom work less than full time will have their leave days prorated in a ratio equivalent to the amount of their contract time. At the end of the school year, any unused leave will be accumulated to seventy sick days or placed in a sick leave bank to pay back days borrowed. Unused sick leave at termination is lost. Upon retirement, certified employees will be reimbursed for a maximum of forty days of accumulated sick leave at the rate of currently paid to a substitute teacher.

Office, support staff, and paraprofessional accumulate vacation days based on years of service and are pro-rated for staff working less than full time, based on the following schedule:

One Year of Service	5 Days
Second through Fourth Year of Service	10 Days
Fifth through Ninth Year of Service	15 Days
Tenth through Fourteenth Year of Service	20 Days
Fifteenth Year of Service and on	25 Days

Unused vacation time may be carried over to the next fiscal year, but must be used before September 1.

Office, support staff, and paraprofessional accumulate sick days at a rate of one day per month of contract. At the end of the school year any unused leave will be accumulated to seventy sick days or placed in a sick leave bank to pay back days borrowed. Unused sick leave at termination is lost.

**8. COMPENSATED ABSENCES** (Continued)

The Interlocal accrues a liability for compensated absences which meet the following criteria:

- 1) The Interlocal's obligation relating to employees' rights to receive compensation for future absences is attributed to employee's services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) Payment of the compensation is probable.
- 4) The amount can be reasonably estimated.

In accordance with the above criteria, the Interlocal has accrued a liability for vacation benefits and sick leave for certified staff in footnote 6, and not accrued a liability for sick pay for other staff which has been earned, but not taken by Interlocal employees, inasmuch as the amount cannot be reasonably estimated.

**9. OTHER POST EMPLOYMENT BENEFITS**

Certified staff of Interlocal No. 608, are able to retire from the Interlocal upon qualification under current KPERS formula guidelines and has completed ten or more years of service to the Interlocal and/or one of its participating districts. Early retirement fringe benefit amounts for a single health plan with continued coverage of the group health insurance plan for five years from the anniversary date of such actual retirement, until Medicare eligible or upon death.

Early retirement incentive payments for 7 participants included in expenditures for the year ended June 30, 2011, were \$28,800.00. As of July 1, 2011 (latest evaluation) the future early retirement incentive payments are expected to be as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Health Insurance</u> <u>Amount</u>
2012	\$ 40,800.00
2013	28,800.00
2014	14,400.00

*Other Post Employment Benefits:* As provided by K.S.A. 12-5040, the Interlocal allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Interlocal is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. The American Recovery and Reinvestment Act of 2009 (ARRA) reduces the COBRA premium for the eligible employees in some cases. There is no cost to the government under the COBRA programs.

**10. RISK MANAGEMENT**

The Interlocal is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Interlocal manages these risks of loss through the purchase of various insurance policies.

The Interlocal has been unable to obtain workers' compensation insurance at a cost it considers to be economically justifiable. For this reason, the Interlocal has joined together with other school boards in the State to participate in Kansas Association of School Boards Workers Compensation Fund, Inc (FUND), a public entity risk pool currently operating as a common risk management and insurance program for participating members. The Interlocal pays annual premium to the FUND for its workers' compensation insurance coverage. The agreement to participate provides that FUND will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the FUND management.

**11. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and state grantors. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Interlocal expects such amounts, if any, to be immaterial.

**12. INTERFUND TRANSFERS**

Operating transfers to allocate expenditures between funds were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Amount</u>
General	Alternative School - JDLA	\$ 189,309.14
Alternative School - JDLA	Kansas Learn and Serve	5,000.00
Kansas Learning and Leading	Regional Service Center	3,184.81
Kansas Learning and Leading	Parents as Teachers	6,602.50

**13. SUBSEQUENT EVENTS**

There were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

## **FEDERAL COMPLIANCE SECTION**

**INTERLOCAL #608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
Ozawkie, Kansas

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Cash Receipts	Disbursements Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Passed through the Kansas Department of Education Special Education Cluster (IDEA)				
Grants to States - IDEA, Part B	H027A090031	84.027	\$ 919,478.00	\$ 919,478.00
Grants to States - IDEA, Part B - Integrated Data	21014	84.027	468,939.00	470,407.49
Grants to States - IDEA, Part B - SPOI	21005	84.027	699,163.00	521,626.33
Grants to States - IDEA, Part B - Continuous Improvement 2011	DO608	84.027	39,236.00	39,619.00
Grants to States - IDEA, Part B - KISN	21004	84.027	600,000.00	555,692.53
		Total 84.027	2,726,816.00	2,506,823.35
Preschool Grants - IDEA Preschool				
Preschool Grants - IDEA Preschool - KISN	H173A090034	84.173	29,767.00	29,767.00
	21004	84.173	111,998.00	111,998.00
		Total 84.173	141,765.00	141,765.00
Grants to States - IDEA, Part B - ARRA	DO608	84.391	481,348.00	481,348.00
Preschool Grants - IDEA Preschool - ARRA	DO608	84.392	20,273.00	20,273.00
	Total Special Education Cluster (M)		3,370,202.00	3,150,209.35
Carl Perkins Career and Technical Education Grant	FY 2011	84.048	56,842.00	56,842.00
Charter Education Initiative	DO608	84.215	12,722.15	12,722.15
Passed through the Kansas Department of Health and Environment Early Intervention Services (IDEA) Cluster				
Grants for Infants and Families - NEKESC	SFY2011	84.181	81,272.36	81,839.00
Grants for Infants and Families - Douglas County	SFY2011	84.181	112,466.00	112,466.00
Grants for Infants and Families - Marshall County	SFY2010	84.181	40.53	-
Grants for Infants and Families - Marshall County	SFY2011	84.181	12,807.00	12,807.00
		Total 84.181	206,585.89	207,112.00

**INTERLOCAL #608**  
**NORTHEAST KANSAS EDUCATION SERVICE CENTER**  
 Ozawkie, Kansas

Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Cash Receipts	Disbursements Expenditures
Passed through the Kansas Department of Health and Environment Early Intervention Services (IDEA) Cluster (Continued)				
Grants for Infants and Families - NEKESC - ARRA -201C	H393A090032	84.393	\$ 2,057.70	\$ -
Grants for Infants and Families - NEKESC - ARRA -2011	H393A090032	84.393	52,239.00	52,239.00
Grants for Infants and Families - Douglas County - ARRA -2010	H393A090032	84.393	3,591.82	-
Grants for Infants and Families - Douglas County - ARRA -2011	H393A090032	84.393	53,841.75	71,789.00
Grants for Infants and Families - Marshall County - ARRA -2010	H393A090032	84.393	2,294.00	-
Grants for Infants and Families - Marshall County - ARRA -2011	H393A090032	84.393	4,087.50	8,175.00
		Total 84.393	118,111.77	132,203.00
		Total Early Intervention Services (IDEA) Cluster	324,697.66	339,315.00
Total U.S. Department of Education			3,764,463.81	3,559,088.50
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>				
Passed through the Kansas Department of Education				
Learn and Serve American School and Community Grant	DO608	94.004	10,000.00	10,000.00
Total Corporation for National and Community Service			10,000.00	10,000.00
TOTAL FEDERAL AWARDS			\$ 3,774,463.81	\$ 3,569,088.50

Note to the Schedule of Expenditures of Federal Awards:

Federal expenditures are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid.

(M) = Major Program

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Interlocal No. 608  
Ozawkie, Kansas

We have audited the financial statements of Interlocal No. 608 as of and for the year ended June 30, 2011, and have issued our report thereon dated February 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Interlocal No. 608's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interlocal No. 608's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Interlocal No. 608's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interlocal No. 608's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the Interlocal, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

February 18, 2012  
Chanute, Kansas



**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Interlocal No. 608  
Ozawkie, Kansas

Compliance

We have audited Interlocal No. 608's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Interlocal No. 608's major federal programs for the year ended June 30, 20X1. Interlocal No. 608's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Interlocal No. 608's management. Our responsibility is to express an opinion on Interlocal No. 608's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Interlocal No. 608's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Interlocal No. 608's compliance with those requirements.

In our opinion, Interlocal No. 608, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Interlocal No. 608, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Interlocal No. 608's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interlocal No. 608's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the Interlocal, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

February 18, 2012  
Chanute, Kansas

**INTERLOCAL NO. 608  
OZAWKIE, KANSAS**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

The auditors' report expresses a qualified opinion on the basis financial statements of Interlocal No. 608, Ozawkie, Kansas.

**Internal Control over Financial Reporting:**

Material weakness(es) identified?	_____	Yes	___X___	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	___X___	No
Noncompliance or other matters required to be reported under <i>Government Auditing Standards</i>	_____	Yes	___X___	No

**Federal Awards:**

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	___X___	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	___X___	No

The auditors' report on compliance for the major federal award programs for Interlocal No. 608, Ozawkie, Kansas expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____	Yes	___X___	No
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Identification of major programs:

**U.S. DEPARTMENT OF EDUCATION**

Special Education Cluster  
Grant to States - IDEA Part B – CFDA No. 84.027  
Preschool Grants – IDEA Preschool – CFDA 84.173  
Grants to States – IDEA Part B – ARRA – CFDA 84.391  
Preschool Grants – IDEA Preschool – ARRA – CFDA 84.392

The threshold for distinguishing Types A and B programs was \$300,000.00.

Auditee qualified as a low risk auditee?	_____	Yes	___X___	No
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**INTERLOCAL NO. 608  
OZAWKIE, KANSAS**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**INTERLOCAL NO. 608  
OZAWKIE, KANSAS**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011

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None Federal